

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name EASTERN HURON AMBULANCE SERVICE	County HURON
Fiscal Year End 12/31/06	Opinion Date JUNE 13, 2007	Date Audit Report Submitted to State JUNE 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BRINING & NARTKER, P.C.			Telephone Number 989-269-9909	
Street Address 64 WESTLAND DRIVE			City BAD AXE	State MI
			Zip 48413	
Authorizing CPA Signature <i>Brining &amp; Nartker, P.C. by:</i> <i>Douglas P. Brining CPA</i>		Printed Name DOUGLAS P. BRINING		License Number 08283

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION  
HARBOR BEACH, MICHIGAN**

**FINANCIAL REPORT  
DECEMBER 31, 2006**

# **EASTERN HURON AMBULANCE SERVICE ASSOCIATION**

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## INDEPENDENT AUDITORS' REPORT


To the Board of Trustees  
Eastern Huron Ambulance Service Association  
Harbor Beach, Michigan

We have audited the accompanying financial statements of the business-type activities of the Eastern Huron Ambulance Service Association, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the management of Eastern Huron Ambulance Service Association. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not prepared their discussion and analysis information for the Eastern Huron Ambulance Service Association. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of managements' discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the financial position of Eastern Huron Ambulance Service Association, as of December 31, 2006, and the changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

  
BRINING & MARTKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

June 13, 2007

## **BASIC FINANCIAL STATEMENTS**

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION  
STATEMENT OF NET ASSETS  
BUSINESS-TYPE ACTIVITIES  
DECEMBER 31, 2006**

ASSETS

CURRENT ASSETS:

Cash and investments	\$ 147,412
Accounts receivable	19,942
Receivable - sale of lot to HBFD	45,000

TOTAL CURRENT ASSETS	212,354
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NONCURRENT ASSETS:

Capital assets - net of accumulated depreciation	404,996
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TOTAL ASSETS	617,350
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LIABILITIES

CURRENT LIABILITIES:

Accrued and withheld payroll taxes	3,620
Construction payable (Note 5)	116,900

TOTAL CURRENT LIABILITIES	120,520
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NET ASSETS:

Invested in capital assets, net of related debt	288,096
Unrestricted	208,734

TOTAL NET ASSETS	\$ 496,830
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The accompanying notes are an integral part of the financial statements.

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
BUSINESS-TYPE ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

OPERATING REVENUE:	
Charges for services	\$ 154,970
TOTAL OPERATING REVENUE	<u>154,970</u>
OPERATING EXPENSES:	
Advertising	497
Depreciation	46,179
Education	3,756
Insurance	5,549
Licenses	425
Medical supplies	2,474
Miscellaneous	1,006
Office expenses	4,702
OSHA expenses	304
Payroll taxes	5,999
Professional fees	2,900
Property taxes	143
Repairs	11,295
Repayments	1,554
Special purchases	2,111
Utilities	3,363
Wages	66,344
TOTAL OPERATING EXPENSES	<u>158,601</u>
OPERATING INCOME (LOSS)	<u>(3,631)</u>
NONOPERATING REVENUES:	
Interest income	4,791
Intergovernmental grants	23,604
Miscellaneous revenue	67
Federal grant monies	37,821
Sale of fixed assets	54,553
TOTAL NONOPERATING REVENUES	<u>120,836</u>
CAPITAL CONTRIBUTIONS	6,695
CHANGE IN NET ASSETS	<u>123,900</u>
NET ASSETS - BEGINNING OF YEAR	372,930
NET ASSETS - END OF YEAR	<u><u>\$ 496,830</u></u>

The accompanying notes are an integral part of the financial statements.

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 158,979
Cash payments for goods and services	(46,621)
Cash payments to employees	(66,344)
Nonoperating cash receipts	61,492
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>107,506</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital contributed	6,695
Purchase of capital assets	(142,652)
Sale of capital assets	65,000
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(70,957)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	4,791
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>4,791</u>
<b>NET INCREASE IN CASH</b>	<u>41,340</u>
<b>CASH - BEGINNING OF YEAR</b>	106,072
<b>CASH - END OF YEAR</b>	<u><u>\$ 147,412</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (3,631)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	46,179
Decrease in accounts receivable	4,009
(Decrease) in accrued and withheld payroll taxes	(543)
Nonoperating cash receipts	61,492
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 107,506</u></u>

The accompanying notes are an integral part of the financial statements.



**EASTERN HURON AMBULANCE SERVICE ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**DESCRIPTION OF ASSOCIATION OPERATIONS**

The Association was formed pursuant to the terms of an interlocal agreement dated October 2, 1978. Its purpose is to provide ambulance service to the residents and property owners of constituent units, which include the City of Harbor Beach, the Villages of Port Hope and Forestville, and Bloomfield, Gore, Huron, Rubicon, Sand Beach, Sherman, the north half of Delaware, and the east half of Sigel Township.

The Association operates under an appointed Board consisting of one representative from each constituent unit. All representatives are appointed by their respective governing bodies by resolution and serve following appointment, until a successor is appointed. A Board member is eligible for reappointment at the expiration of his (or her) term of office, and must be a resident of the constituent unit which he (or she) represents.

**REPORTING ENTITY**

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, the definition of the reporting entity is based primarily on the premise of financial accountability. The association is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on the provisions of GASB 14, there are no organizations that are deemed to be component units of the Association.

**BASIS OF PRESENTATION**

The financial activities of the Association are recorded in a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services are financed through user charges.

**BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. Total net assets is segregated into capital assets, net of related debt, restricted and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as intergovernmental grants and investment earnings, result from non-exchange transactions or ancillary activities.

The accrual basis of accounting is utilized by the Association. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied.

(Continued)

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

**ACCOUNTING ESTIMATES**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**PROPERTY AND EQUIPMENT**

Additions to property and equipment are recorded at cost or, if contributed, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of property and equipment is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Improvements	20 years
Ambulances	5 years
Equipment	3 - 7 years

**NOTE 2 - CASH AND INVESTMENTS:**

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes a local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Association is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Deposits – The Associations' cash accounts consist of a checking account, an interest bearing savings account, and certificates of deposit. As of December 31, 2006, the carrying amount of the Association's deposits was \$135,773 and the bank balance was \$148,417. The bank balance was fully covered by Federal Depository Insurance and included \$106,691 in certificates of deposit.

Investments – State statutes authorize the Association to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptance of U.S. banks and mutual funds comprised of the above authorized investments. The Association has funds invested in Comerica Bank Municipal Investment Fund - a non-risk categorized investment - with a carrying value and market value of \$11,639 as of December 31, 2006.

The Association's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At December 31, 2006 all of the Association's deposits were either covered by federal depository insurance or collateralized through the Comerica Bank Municipal Investment Fund, a non-risk categorized investment.

(Continued)

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

**NOTE 2 - CASH AND INVESTMENTS:** (Continued)

Custodial Credit Risk of Investments – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of any outside party. The Association does not have a policy for custodial credit risk. At year end, none of the Association's investments were subject to the custodial credit risk due to the following:

- \* Investments were part of an insured pool

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Association limits its investments in pooled investment funds.

**NOTE 3 – CAPITAL ASSETS:**

Capital assets activity for the current year was as follows:

	BALANCE			BALANCE
	JANUARY 1,			DECEMBER 31,
	2006	ADDITIONS	DEDUCTIONS	2006
Capital assets, not being depreciated -				
Land	\$ 125,355	\$ -	\$ 44,954	\$ 80,401
Construction in progress - building	-	116,900	-	116,900
Total capital assets, not being depreciated	125,355	116,900	44,954	197,301
Capital assets, being depreciated -				
Improvements	22,075	-	-	22,075
Ambulances	187,778	111,346	89,943	209,181
Equipment	139,616	31,308	-	170,924
	349,469	142,654	89,943	402,180
Less - accumulated depreciation for -				
Improvements	2,075	389	-	2,464
Ambulances	101,831	36,770	79,450	59,151
Equipment	123,850	9,020	-	132,870
	227,756	46,179	79,450	194,485
Total capital assets being depreciated, net	121,713	96,475	10,493	207,695
Business-type activity capital assets, net	\$ 247,068	\$ 213,375	\$ 55,447	\$ 404,996

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

**NOTE 4 - CONTRIBUTIONS:**

In the event it becomes necessary to finance all or any part of the operating expenses of the Association by contribution, any contribution made to the Association by the constituent units shall be on the basis of population which means that each constituent unit shall contribute a percentage equal to the percentage or proportion that the population of the constituent unit bears to the total population of all constituent units, population being based upon the latest Federal decennial census. Any action by the Association which would require such contribution to be binding upon each constituent unit must be authorized or later ratified by resolution of the governing body of that constituent unit. The failure of the governing body of any constituent unit to authorize or ratify its contribution to the Association shall operate as an immediate withdrawal of that constituent unit from the Association.

Contributions for the year ended December 31, 2006 amounted to \$20,304 and is included in nonoperating revenue as "intergovernmental grants".

**NOTE 5 – CONSTRUCTION PAYABLE:**

In October, 2006, the Association began construction of a new building in Harbor Beach, Michigan to house its' entire operations. The building is expected to be completed by July, 2007. The project is financed through Citizens First Bank with a term of 10 years. The loan amount is expected to be \$500,000 with an interest rate of 4.95%. As of December 31, 2006, the construction payable amount was \$116,900.

# BRINING & NARTKER, P.C.

*Certified Public Accountants*

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Members of  
Michigan Association of  
Certified Public Accountants  
American Institute of  
Certified Public Accountants

June 13, 2007

Board of Trustees  
Eastern Huron Ambulance Service Association  
Harbor Beach, Michigan 48441


The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Eastern Huron Ambulance Service Association, for the year ended December 31, 2006 and are submitted for your evaluation and consideration. We would like to emphasize that since our audit was conducted for the purpose of expressing an opinion on the aforementioned financial statements, these comments are not necessarily all inclusive. These comments have been previously mentioned but remain uncorrected.

## RECONCILING CASH TO THE GENERAL LEDGER

Currently a monthly reconciliation of the checking account is being prepared. However, this balance is not reconciled to the general ledger. As a result, the general ledger included double postings of some transactions. Some transactions are not recorded at all, and some transactions are recorded incorrectly. In order to maintain a more accurate set of books, we recommend that the general ledger cash account balance be reconciled on a monthly basis.

These recommendations and comments are submitted to you for your consideration. Our firm will assist in implementing any recommendations approved by the Association Board. We wish to take this opportunity to thank the Association officials with whom we have worked for the cooperation we received throughout our audit.

Sincerely,

  
BRINING & NARTKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS